

Message Text

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ACTION EA-10

INFO OCT-01 EUR-08 ISO-00 SAM-01 SAJ-01 CIAE-00 DODE-00

PM-03 H-01 INR-05 L-01 NSAE-00 NSC-05 PA-01 RSC-01

PRS-01 SP-02 SS-15 USIA-06 IO-04 EB-04 COME-00 TRSE-00

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FM USLO PEKING

TO SECSTATE WASHDC 2586

INFO AMEMBASSY OTTAWA

AMEMBASSY SEOUL

AMCONSUL HONG KONG

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E.O. 11652: N/A

TAGS: EAGR, ETRD, CH, KN, US

SUBJECT: PRC GRAIN TRADE, MORE TCK PROBLEMS; AGRICULTURE IN DPRK

1. JACKQUEST LANG, OF COOK INDUSTRIES FRENCH SUBSIDIARY, UNION
GRANIERE, IS IN PEKING FOR A BRIEF VISIT FOLLOWING A THREE WEEK
BUSINESS TRIP TO PYONGYANG. IN CONVERSATIONS WITH USLO OFFICER OCTOBER

22 AND 23 HE PROVIDED FOLLOWING INFORMATION AND IMPRESSIONS.

2. SLOWDOWN IN PRC WHEAT IMPORTS - LANG FOUND WHEAT NEGOTIATORS
AT THE CHINA NATIONAL CEREALS OILS AND FOODSTUFFS IMPORT AND
EXPORT CORPORATION (CEROILFOOD) RELAXED AND INACTIVE AT THE
MOMENT. "THEY ARE SITTING BACK DOING NOTHING," HE SAID, "CONFIDENT
THAT THIS IS THE RIGHT THING TO DO." HAVING POSTPONED ABOUT 0.9 MILLION

TONS OF SCHEDULED 1974 US WHEAT DELIVERIES AND PUT OFF THE VISIT
OF THE AUSTRALIAN WHEAT BOARD UNTIL NEXT SPRING, CEROILFOOD
NOW APPEARS TO BE DRAGGING ITS FEET ON NOMINATION OF NEW VESSELS
TO PICK UP CANADIAN GRAIN SCHEDULED FOR DELIVERY THIS YEAR. THE DOCK
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STRIKES ARE OVER, LANG SAID, BUT THE CHINESE ARE NOT SENDING

NEW SHIPS. SPECULATING ON CHINESE MOTIVES FOR DELAYING WHEAT DELIVERIES, LANG CITED : 1) GOOD OVERALL PRC HARVEST PROSPECTS; 2) INTERNAL STORAGE PROBLEMS; AND 3) DESIRE TO REDUCE THE SERIOUS CONGESTION NOW FACING PRC PORTS.

3. MORE TCK PROBLEMS - LANG SAID THAT CEROILFOOD'S CHIEF WHEAT NEGOTIATOR, MR. SHIH, INFORMED HIM THAT TWO AND POSSIBLY THREE DREYFUS SHIPMENTS OF US SOFT RED WINTER WHEAT WHICH RECENTLY ARRIVED IN CHINESE PORTS HAVE BEEN FOUND TO HAVE TCK. SHIH SAID THREE SHIPLOADS MIGHT CONSTITUTE MORE THAN AN "EXCEPTIONAL" AMOUNT OF TCK-CONTAMINATED DELIVERIES AND THUS VIOLATE THE GENTLEMEN'S AGREEMENT ON TCK WHICH CEROILFOOD STRUCK WITH US SUPPLIERS IN JUNE (PEKING 967). AS A RESULT, LANG SPECULATED, DREYFUS REPRESENTATIVE MARQUOT MAY SOON HAVE TO VISIT PEKING FOR TALKS ON THE PROBLEM.

4. MEANWHILE, SHIH TOLD LANG THAT TCK HAS BEEN FOUND IN SHIPMENTS OF FRENCH WHEAT FOR WHICH CEROILFOOD CONTRACTED LAST SPRING. THE FRENCH CONTRACT GIVES THE BUYER THE RIGHT OF OUTRIGHT REJECTION IN TCK CASES, AND REQUIRES REPLACEMENT OF THE CONTAMINATED SHIPMENTS WITHIN 45 DAYS. A DELEGATION FROM THE FRENCH SUPPLIER (SOULES), INCLUDING FRENCH GOVERNMENT PERSONNEL, IS ARRIVING IN PEKING OCTOBER 22 TO DISCUSS THE MATTER.

5. PRC RICE EXPORTS - THE CHINESE REMAIN KEEN TO SELL RICE, LANG SAID. RECENTLY THE FRENCH FIRM, SOULES, SIGNED A LARGE CONTRACT WITH CEROILFOOD FOR SHIPMENT OF PRC RICE TO MALAGASY, AT AN F.O.B. PRICE OF \$385 PER METRIC TON. THE PRICE IS SOMEWHAT LOWER THAN THE CHINESE OBTAINED LAST YEAR AT THIS TIME, WHEN THEY SOLD AT \$430-450 PER TON.

6. SITUATION IN NORTH KOREA - LANG IS IMPRESSED BY AGRICULTURAL CONDITIONS IN THE DPRK, A COUNTRY WHICH HE HAS VISITED SEVERAL TIMES FOR UNION GRANIERE. HE ESTIMATES THAT NORTH KOREAN AGRICULTURE IS 50 PERCENT MECHANIZED AND 80 PERCENT IRRIGATED, AND THAT 75-80 PERCENT OF TOTAL GRAIN PRODUCTION IS RICE. NORTH KOREAN OFFICIALS TOLD HIM THIS YEAR'S AVERAGE YIELD PER HECTARE IS 8 TONS, AND THAT THE TOTAL 1974 GRAIN CROP IS 6.4 MILLION TONS. THIS WAS SAID TO BE A NEW RECORD, THE PREVIOUS HIGH BEING 5.5 MILLION TONS. LIMITED OFFICIAL USE

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LANG WAS PARTICULARLY IMPRESSED WITH THE SPEED OF THE HARVEST, WHICH STARTED IN LATE SEPTEMBER AND WAS COMPLETED BY OCTOBER 18.

7. AS A RESULT OF THIS YEAR'S GOOD CROP, LANG ESTIMATES, THE DPRK WILL HAVE AN EXPORTABLE RICE SURPLUS OF 1 MILLION TONS. SOME WILL BE SOLD TO OTHER COMMUNIST COUNTRIES, BUT THE KOREANS ARE INTERESTED IN SELLING A SUBSTANTIAL PERCENTAGE ON THE FREE

MARKET. THIS PRESENTS DIFFICULTIES, HOWEVER, SINCE THEIR MILLING IS
NOT GOOD AND THEY CAN ONLY OFFER ROUND, SMALLISH GRAIN, 10 PERCENT
BROKEN RICE, WHICH IS GREYISH IN COLOR AND POWDERY IN CONSISTENCY.
BUSH

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